partnerships

SERVICE PLAN

2004/05 – 2006/07

partnerships
British Columbia

For more information on Partnerships British Columbia Inc., contact us at
PO BOX 9478
STN PROV GOVT
VICTORIA, BC
V8W 9W6

or visit our Web site at
www.partnershipsbc.ca

TABLE OF CONTENTS

Message from the Chair and the CEO/President 4
Accountability Statement 6
Introduction & Organizational Overview 7
Strategic Context 9
Planning Context 10
Goals, Strategies and Performance Measures 14
Summary Table – Performance Measurements, Targets and Benchmarks 20
Linkages to Government Strategic Priorities 21
Appendix 1 - Project Highlights 25
Appendix 2 - Other Operating Segments 28
Appendix 3 – Human Resource Strategy 29

Message from the Chair and the CEO/President

We are pleased to present the service plan for Partnerships British Columbia (PBC) for the period April 1, 2004 to March 31, 2007. Our first full year of operation has been completed. Much has been accomplished to position the company to complete a variety of public-private partnership projects in the near term.

For example, in 2003/04 PBC developed and implemented a governance, business and operational framework for the company; implemented a forward-looking human resource strategy; established performance plans for the company and our staff; and made significant progress in developing strategic relationships with other P3 organizations. Most importantly, PBC also started work on major new initiatives with, and on behalf of, public sector agencies.

PBC is now engaged in a range of high-priority projects that will provide significant benefits to people, communities and regional economies across British Columbia. These include building new roads and bridges in the Kootenay, Okanagan, Peace River and Lower Mainland regions. New health services infrastructure projects are also underway to help meet the needs of the province's growing and aging population. PBC is involved with nine projects currently in the market representing a total capital value of approximately $3.5 billion. (Appendix 1 of the Service Plan provides a summary of project Highlights).

In 2004/05, PBC will place a high priority upon reaching the final contracting stage with its projects now in the market, and will continue to seek new and innovative ways to strengthen and improve public infrastructure. These initiatives will be led by a diverse and experienced board of directors, recruited in the past year, who will be working with a skilled team of employees. In its first months, the board enacted policies and procedures in areas such as corporate governance, project evaluation, finance and expense controls, and performance reviews to help guide the company's future success and meet challenges as they arise.

PBC's primary focus is to work with our public sector agency clients to build sound contractual relationships between public and private sector partners that deliver high-quality, cost-effective goods and services to British Columbians. The benefits of PBC's P3 approach include:

- Delivering more capital projects and on a more timely basis.
- Increasing competition and innovation in procuring major capital assets.
- Transferring appropriate risks to the private sector.
- Achieving value for money for taxpayers.
- Expanding the use of performance standards in government and serving the public interest by maintaining these standards on an ongoing basis.
- Attracting international expertise and capital to British Columbia.

In our first year, PBC worked hard to build the Partnerships BC corporation and to launch new projects. In the year ahead, PBC will advance our projects, develop new ones and realize the benefits of what we believe is an exciting approach to building a stronger BC economy and providing more effective services to the people of British Columbia.

Sincerely,

Rick Mahler
Chair

Larry Blain
President and CEO

January 27, 2004

Accountability Statement

Partnerships British Columbia's 2004/05 – 2006/07 Service Plan was prepared under our direction in accordance with the Budget Transparency and Accountability Act. We are accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with the government's strategic priorities and overall service plan. All significant assumptions, policy decisions, and identified risks as of January 2004 have been considered in preparing the plan. We are accountable for ensuring Partnerships British Columbia achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

Sincerely,

Rick Mahler
Chair

Larry Blain
President and CEO

January 27, 2004

Introduction & Organizational Overview

Partnerships British Columbia (PBC) was created in May, 2002 to support the government's strategic plan to deliver public services effectively and affordably. The company works to "aggressively pursue public-private partnerships that will improve customer services, maximize private sector investment and minimize costs to taxpayers."[1]

Public-private partnerships (P3s) are of critical importance as the Province moves forward to improve and enhance public services and modernize the province's infrastructure. P3s are a key procurement alternative within the government's approach to managing capital assets such as schools, hospitals, highways, transit systems and related services.

Since 2002, public sector agencies have been encouraged to consider all potential ways to meet their service delivery goals, and to choose the method that meets those goals most effectively. Along with traditional methods, agencies consider creative approaches such as leveraging assets, making better use of existing facilities, seeking more efficient ways of delivering public services, and pursuing newer options such as P3s.

P3s are contractual arrangements between the government and the private sector, combining the best of both partners' experience and expertise. They provide a framework for delivering projects jointly with a mutually beneficial division of tasks and risks, including clear, legal definitions of each party's responsibilities.

The end result is "value for money": research has shown that P3s can deliver the best products at optimal life-cycle costs and benefit all parties, including taxpayers. The private sector benefits from new business opportunities in a growing market. The government achieves more effective procurement and public service delivery while retaining the ability to safeguard the public interest on an ongoing basis. The public benefits from service enhancements, both in terms of access and quality.

These P3 advantages will become more apparent as PBC moves forward with existing projects and explores new opportunities during the term of this service plan. As in the past year, goals and directions will evolve as the company gains experience, overcomes challenges and records new successes.

[1] BC government Speech from the Throne, February 11, 2003

Corporate Overview

Partnerships BC is a company owned by the Province and governed by a board of directors reporting to its sole shareholder, the Province of British Columbia represented by the Minister of Finance. The company's core business is to:

- Provide specialized services to government and its agencies in the procurement of major public projects, ranging from advice to business transaction and procurement management, to overall project management.
- Identify new opportunities to enhance the effectiveness of major capital asset procurement through public-private partnerships.
- Foster a business and policy environment for successful P3s and related activities by offering a centralized source of knowledge, understanding, expertise and practical experience in these areas.
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The company's primary clients are public sector agencies, including ministries, Crown corporations, school districts, health authorities and post-secondary institutions. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors, the financial services sector and providers of construction, engineering and facilities management services.

The company's organization, staffing and governance reflect and support this bringing together of public and private sector interests to best serve public needs. For example, PBC project directors and consultants have a mix of skills and expertise from both sectors and the company has offices in both Vancouver and Victoria to serve both sectors effectively.

Strategic Context

Vision

Partnerships British Columbia serves the public interest by structuring and implementing public-private partnerships. The company is committed to commercial viability, transparent operations, and achieving wide recognition for its innovation, leadership and expertise in public procurement.

Mission

Partnerships BC promotes, enables and helps to implement P3 projects. It works with public sector agencies and private sector partners to create agreements that combine the best aspects of private sector expertise and public sector stewardship by:

- selecting partners through a competitive, fair and transparent process that delivers the best product or service at the best price;
- ensuring the transfer of appropriate risk;
- instilling a performance system based on the private sector's ability to meet standards set by government;
- ensuring the public interest is served in each project; and
- attracting international expertise and capital to British Columbia.

Values	Corresponding Leadership Philosophy
Obtaining Value for Money	• explore & encourage innovation, new ideas and partnerships for infrastructure solutions that result in value for money • explore opportunities to increase social, economic, environmental, or other benefits derived from infrastructure investments
Serving the Public Interest	• ensure that public interest issues are assessed and protected in developing solutions to infrastructure challenges • provide public agencies with tools and support to identify, evaluate, allocate and manage risk effectively
Competition and Transparency	• ensure that all activities engaged in by PBC and its staff maintain the highest levels of fairness and openness
Strong Accountability	• measure and report on performance at all levels • recognize achievement and benefit from lessons learned
Respect and Integrity	• focus on clients, provide leadership, encourage teamwork and value diversity and differences of opinion • protect confidentiality of commercial information

Planning Context

A number of factors will affect PBC's ability to do business in the coming years, presenting both risks and opportunities. As described below, the company has developed strategies for managing risks while pursuing opportunities.

PBC as an Agent of Government

Partnerships British Columbia was created as part of the government's strategic plan to deliver public services more efficiently. As such, it has unique opportunities to work with public agencies and the private sector to develop creative solutions to infrastructure challenges and support a vibrant provincial economy. PBC also plays an influential role by ensuring that the Province has the information and materials it needs to make sound decisions regarding potential P3 arrangements.

At the same time, as an agent of government, PBC is not independent. It requires the Province's support and approval to begin Provincial projects and, just as important, to see them through to completion. Accordingly, it faces risks related to potential changes in government direction and priority-setting throughout a project's development.

In many cases, PBC must also work with a number of public agencies to carry out a single project. This requires the company to work diplomatically to help define a shared vision and achieve consensus in areas such as goals, objectives and leadership. This can be time consuming and can present risks (e.g. to timelines) as different agencies may have differing views on a project and their respective roles (as well as PBC's role) in bringing it to fruition.

A further challenge arises from the fact that public agencies are still adapting to a comprehensive new approach to managing major capital assets. P3s are only one component of the Capital Asset Management Framework the Province introduced in 2002 and many public agencies are still assessing their short- and long-term procurement requirements.

PBC's work is also affected by the rules, constraints and outcomes specified by government for each public-private partnership and cannot engage private sector partners until these specifics are articulated. This creates opportunities to customize agreements to best meet both sectors' needs. It also underlines the need for PBC to work closely with the Province to ensure that partnership arrangements are consistent with the government's strategic priorities.

Further actions to manage risk and optimize opportunities include:

- Ensuring that rigorous business case analysis precedes any project. This helps ensure that qualitative factors such as a project's social, environmental and public interest impacts are identified and fully addressed, along with all quantitative issues such as financial impacts and service outcomes.

- Working with public sector agencies to encourage a consistent vision for projects where multiple agencies are involved.
- Consulting with provincial government agencies on an ongoing basis to better understand their emerging needs and challenges and help identify P3 opportunities
- Working with the Province to ensure a regulatory and legislative environment compatible with the successful implementation of P3s.

Portfolio Risk

In order to focus its resources, PBC's priorities thus far have been a few, relatively large projects. This implies that the company's fees and other revenues are currently derived from limited sources, which makes it challenging to effectively manage income (revenue) risk through a portfolio strategy which, by definition, requires diversity. PBC will address this by:

- Providing quality outcomes to public sector clients, thereby increasing confidence in PBC and, ultimately, increasing project flow.
- Working with client agencies to ensure that chosen P3 projects are viable from economic, social and public interest perspectives.
- Developing the business potential of P3 projects beyond provincial client agencies. This could include providing services to municipal governments, regional districts and/or potential P3 projects in other jurisdictions.
- Balancing PBC's fee or income structure to clearly reflect ongoing project work commitments and expenses while including incentives based on project success.

Internal P3 Experience and Capacity

PBC is a young organization, building the experience and skill sets it needs to be a leader in providing P3 products and services, and to ensure that it provides added value to its public sector agency clients. The company will have unparalleled opportunities for learning and development in the coming years as BC moves forward to implement P3s. At the same time, PBC will face the critical challenge of balancing demand for its services with the practical limitations of its corporate capacity to ensure successful performance at both the project and organizational levels. To meet this challenge, the company has developed an approach to human resources that:

- Ensures PBC's professionals have the right mix of skills and expertise for the expected project flow.
- Ensures maximum staff retention.
- Emphasizes and facilitates continuous learning and improvement.

Legislative and Policy Environment

The Province's legislative and policy environment continues to evolve in ways that enable and encourage the consideration of public-private partnerships. As more projects are undertaken, further changes may be required to facilitate projects and maintain an

attractive, competitive marketplace. PBC will continue to work closely with the Province to determine what future legislative and regulatory changes may be needed to achieve value for money on projects while protecting the public and stakeholders' interests. It will also:

- Build upon relationships with client agencies engaged in, or considering, P3s and aid in the assessing the legislative and policy environment and requirements.
- Review existing P3 projects during and after completion to determine how legislative or regulatory changes could improve future projects and the protection of public interests.
- Monitor legislative and regulatory regimes in other jurisdictions.

P3 Market Size & Capacity

As in British Columbia, P3 markets worldwide are generally in the early stages of development. This makes PBC – as one of a limited number of players – very well positioned to support the growth of a vibrant P3 market in BC and beyond.

However, capacity growth in British Columbia will be in direct competition with other jurisdictions. External factors will therefore play a significant part in PBC's success and the company may face challenges related to:

- growth of P3 markets in competing jurisdictions,
- general private sector interest in P3s worldwide,
- development of private sector P3 capacity within British Columbia, and
- BC population growth and demographic shifts.

To meet these challenges, PBC will:

- Continue to developing relationships with other P3 stakeholders and business partners. This will ensure the continuous transfer of knowledge related to best practices. It will also support the development of a vibrant BC P3 community, providing resources that will help offset capacity-related risks.
- Continue holding discussions with other provincial governments to broaden the Canadian P3 market and enhance the expansion of best practices.
- Continuously engage in dialogue with and monitor the activities of P3 organizations and stakeholders around the world. For example, jurisdictions such as the United Kingdom and Australia have already completed the initial implementation of formal P3 systems and have mature P3 markets. PBC is learning from their experiences.
- Encourage business-partnering opportunities through education and awareness.
- Conduct research and market sounding in advance of project implementation and as a key step in business case analysis.
- Make it easy for private sector partners to do business with the Province by, for example, providing certainty and consistency in procurement processes and work to reduce private sector bid costs.

Market Position

Partnerships British Columbia will be challenged in the coming years to carve out its own position in the market. It will do this by ensuring that its product offering remains competitive in terms of value and service quality, recognizing that public sector agencies are under no obligation to retain its services.

The company will continue to emphasize its role as a truly unique service provider that strengthens the P3 market overall and creates opportunities for both the public and private sectors. To further strengthen its market position, PBC will:

- Work to ensure that its own best practices remain at the forefront of the P3 and alternative service delivery industry.
- Work to continuously improve client satisfaction.
- Work with P3 service providers and advisors to ensure that service offerings are complementary and they benefit client agencies.
- Develop mutually beneficial relationships with private sector service providers to enhance product offerings and assist in building a P3 industry in British Columbia.

Public Interest

As a public agency entrusted with a role in serving the public interest, PBC is sensitive to public opinion regarding P3 projects and the P3 industry in general. The relative newness of P3s presents opportunities to demonstrate their value and contribute to public understanding and awareness.

The novelty of P3s also poses risks. Until PBC establishes a track record, it will be vulnerable to certain types of criticism, whether these are founded or not. For example, some opponents may claim that P3s represent a way of reducing public services. The best way for PBC to counter these assertions is by making sure its projects are successful, this will be accomplished by:

- Ensuring that value for money is clearly demonstrated;
- Ensuring that the delivery process is competitive, fair and transparent;
- Ensuring that the company is open and accessible to all stakeholders, including public opinion leaders and the media.

Goals, Strategies and Performance Measures

During 2003/04, Partnerships British Columbia evolved from a start-up organization to a fully functioning company with a strong new board of directors, mainly drawn from the private sector. PBC's goals, strategies and performance measures also evolved during the year, shaped by the board's direction and leadership, and by key cabinet decisions in areas such as public accountability.

Changes from last year's service plan

The company's primary focus in 2003/04 was to build a strong, cohesive corporate structure and culture. PBC's primary goal (to develop P3s) was augmented by goals related to increasing the company's capacity and British Columbia's overall P3 capacity.

Accordingly, many of the strategies and measures in last year's plan were interim in nature; including for example the completion of a business plan and operational framework (these objectives were achieved). A human resource strategy and a project management system were also developed in 2003/04 for full implementation in 2004/05.

Although the company's general direction is unchanged, the goals, strategies and measures in this service plan are articulated differently, and in greater detail, reflecting the progress made in 2003/04 – a building year in which PBC began developing benchmarks and baselines for measuring future performance.

Performance in 2003/04

Along with building its corporate structure, PBC moved forward with 11 new projects in its first full year of operation. It also identified a number of new opportunities and developed strong relationships with other P3 organizations and experts, helping to expand P3 capacity in BC.

To support public agencies, improve business practices, increase efficiency and help protect the public interest, PBC established a number of best practices and began developing tools to assist with the creation and assessment of P3 project business plans and value-for-money measurements. It also began to implement a knowledge management strategy to ensure that PBC becomes a central repository for P3 and related knowledge and expertise.

A performance-based human resource strategy was developed, with employees' individual performance plans directly tied to the company's performance. Groundwork was also laid for a strategy to benchmark the company's performance against similar professional services firms in the private sector.

Another key achievement in 2003/04 was putting in place a comprehensive communications strategy to raise the profile of P3s in British Columbia. Company officials participated in more than 40 seminars, public speaking engagements and

conferences. PBC also established a Web site and business directory, further supporting the growth of P3 awareness and capacity. In addition, board meetings and public workshops have been held in such locations as the Okanagan and Squamish–Lillooet in order to profile and explain new P3 projects in these regions.

Moving forward in 2004/05

Building on the progress made in 2003/04 and reflecting the vision of its new board of directors, the company now has five goals:

1. To pursue, structure and implement public-private partnerships.
2. To satisfy clients.
3. To become commercially viable.
4. To serve the public interest and ensure competitive, fair and transparent processes.
5. To be widely recognized as a centre of excellence for innovation, leadership and expertise in P3s.

These goals are described below, along with the company's strategies for achieving them. Performance measures and targets for each goal are listed in the chart on page 17.

In many areas, benchmarks are still being established. For example, PBC is working to benchmark its performance compared to private sector firms providing similar services, such as legal, investment banking and management organizations. This work will continue in 2004/05.

The measures and targets included in this service plan will also help establish future benchmarks. They are both qualitative (e.g. those related to probity and fairness) and quantitative (e.g. standard measures of commercial viability). This balance reflects the company's twin commitments to succeeding financially and ensuring that the public interest is served. It also ensures that the company has appropriate incentives to not only pursue successful projects, but to pursue the right projects to meet British Columbians' needs.

Measures and targets will be continuously refined and improved upon as goals are met or exceeded. Further improvements will be made in the years ahead as PBC becomes a more mature organization.

Goal 1 – To Pursue, Structure and Implement Public-Private Partnerships

PBC's primary mandate is to enable and facilitate public-private partnerships that benefit British Columbians, both economically and in terms of protecting public interest. PBC has determined that the best measures of "ability to structure and implement P3s" are related to meeting project milestones and developing new business. The following strategies have been developed accordingly.

Strategies

- Identify and apply best practices from project to project to help ensure continuous improvement.
- Continue to build and improve upon relationships with public sector client agencies.
- Develop internal performance measures for PBC and its staff which tie individual and collective success to the achievement of milestones.
- Ensure that business development is a key component of the work of all senior staff.
- Continually seek out business opportunities with new, potential and existing clients.
- Develop a presence in the business community to ensure business views PBC as the key catalyst for success in any P3 project.

Performance Measure	Base	Target	
	2004/05	2005/06	2006/07
Goal 1 – To Pursue, Structure and Implement Public-Private Partnerships			
PBC Board Assessment of: • # of project milestones achieved • # of projects reaching financial close • # of new engagements	Positive assessment by the Board of Directors	Positive assessment by the Board of Directors	Positive assessment by the Board of Directors

Goal 2 – To Satisfy Clients

PBC is committed to ensuring that public sector clients are provided with the highest standard of service available, and that they are satisfied with the quality of services. To ensure that this is happening, the company will employ the following strategies.

Strategies

- Formalize methods for obtaining and measuring client input. This includes identifying what clients value most from PBC and ensuring that client feedback translates into service improvements that exceed expectations in the future.
- Develop tools to turn client input into strategies for service improvement.

Performance Measure	Base	Target	
	2004/05	2005/06	2006/07
Goal 2 – To Satisfy Clients			
• Client satisfaction as measured by surveys/interviews	Meet or exceed client expectations	Meet or exceed client expectations	Meet or exceed client expectations

Goal 3 – To Become Commercially Viable

PBC is committed to ensuring it is a commercially viable organization within two years, with the ability to maintain its viability on an ongoing basis. Commercial viability requires that revenues, excluding provincial contributions, meet or exceed expenses. Currently, PBC provides services to the Province under a services contract that extends to March 31, 2008, which may or may not be continued, and which can be amended/terminated with six months' notice. Services, which PBC currently receives payment in the form of a provincial contribution, currently include: helping agencies identify and assess P3 opportunities; developing provincial P3 policy; developing best practices for P3s and alternative procurement; exploring opportunities in other jurisdictions to expand the application of best practices across Canada; and providing other advisory and consulting services directly to the province and/or clients on an ongoing basis whose costs are not attributable to a specific project. PBC shall become commercially viable by March 31, 2006, where revenues include fees for service earned for work requested by the provincial government.

Strategies

- Ensure that fees reflect the value provided and the cost of service.
- Ensure that PBC's cost structure is appropriate for the workload required by clients.
- Prudently manage expenses and internal costs.
- Build an equity base as a contingency for business fluctuations.
- Structure contracts with milestone payments to develop a stable cashflow.

Performance Measure	Base	Target	
	2004/05	2005/06	2006/07
Goal 3 – To Become Commercially Viable			
• Revenues, excluding provincial contributions, meet or exceed expenses by 2005/2006 and on an ongoing basis.	Revenues to meet or exceed 80% of expenses	Revenues to meet or exceed 100% of expenses	Revenues to meet or exceed 100% of expenses
• Equity to provide for uninterrupted operations	Parameters set	Equity available for one year of operating costs	Equity available for one year of operating costs

Goal 4 – To Serve the Public Interest and Ensure Competitive, Fair and Transparent Processes

PBC's clients are public sector agencies that need new or better infrastructure to effectively deliver on their public service mandates. PBC shares, and helps them to meet, their commitment to serving the public interest.

Given that P3s often involve large, high profile, costly projects, it is essential that the public interest is not only served, but seen to be served. All stakeholders must have an adequate degree of comfort with the process involved in bringing a P3 project to fruition. Fairness, integrity and value for money must be clearly demonstrated – while protecting confidential information and commercial interests.

This is not a simple goal, given the commercial complexity that often accompanies a P3 project. However, PBC is committed to ensuring that its operations and projects are delivered in the most transparent manner possible.

Strategies

- Implement an effective value-for-money assessment of all projects undertaken. This will ensure that P3 decisions are based on an assessment of a full range of quantitative (e.g. financial, service level, economic) and qualitative (e.g. environmental, safety, service quality, social, innovation) factors. The value-for-money assessment will also provide information regarding the priorities and trade-offs inherent in any major capital construction project.
- Ensure that a value-for-money assessment provides rigorous financial analysis in order to protect public investments.
- Develop rigorous risk assessment and management tools to ensure that project risks are properly identified and allocated to the party best suited to manage them.
- Work to achieve and maintain the highest level of fairness and transparency in all business transactions.

Performance Measure	Base	Target	
	2004/05	2005/06	2006/07
Goal 4 – To Serve the Public Interest and Ensure Competitive, Fair and Transparent Processes			
• Value for money (VfM) demonstrated.	Post-project VfM assessments provided for all projects	Post-project VfM assessments provided for all projects	Post-project VfM assessments provided for all projects
• Probity & Fairness Opinion	Probity & fairness opinion delivered for all projects	Probity & fairness opinion delivered for all projects	Probity & fairness opinion delivered for all projects

Goal 5 – To Be Widely Recognized as a Centre of Excellence for Innovation, Leadership and Expertise in P3s

PBC is working to fulfill the government's goal of creating a world class centre of excellence and expertise for public-private partnerships in BC. It is also working hard to have its innovation, leadership and expertise recognized in business, industry and academic circles, as well as throughout the public sector.

Strategies

- Develop a strategy to capture and incorporate best practices which would improve the P3 market in BC as well as the deliverability and quality of P3 projects.
- Enhance P3 sector development in BC by attracting business, supporting industry growth and strengthening the quality of services provided by all participants.
- Reduce project time-frames while improving the quality of outcomes.
- Undertake business development for PBC's services beyond core provincial government client agencies including other jurisdictions.
- Continue to promote PBC and P3 initiatives within and outside British Columbia by providing expert speakers, participating in conferences and employing other public profile tools.
- Continually assess and appraise the quality of services provided by PBC with external stakeholders such as P3 service providers (e.g. advisors), project participants and concessionaires.

Performance Measure	Base	Target	
	2004/05	2005/06	2006/07
Goal 5 – To be Widely Recognized as a Centre of Excellence for Innovation, Leadership & Expertise in P3s			
• Demonstrated evidence of the development of a Centre of Excellence.	Annual examples of: - best practices established - external recognition - new market participants in BC - synergies and cost reductions in P3 processes - best practices adopted within and outside BC government	Annual examples	Annual examples

Summary Table – Performance Measurements, Targets and Benchmarks

Performance Measure	Base	Target	
	2004/05	2005/06	2006/07
Goal 1 – To Pursue, Structure and Implement Public-Private Partnerships			
PBC Board Assessment of: • # of project milestones achieved • # of projects reaching financial close • # of new engagements	Positive assessment by the Board of Directors	Positive assessment by the Board of Directors	Positive assessment by the Board of Directors
Goal 2 – To Satisfy Clients			
• Client satisfaction as measured by surveys/interviews	Meet or exceed client expectations	Meet or exceed client expectations	Meet or exceed client expectations
Goal 3 – To Become Commercially Viable			
• Revenues, excluding provincial contributions, meet or exceed expenses by 2005/2006 and on an ongoing basis.	Revenues to meet or exceed 80% of expenses	Revenues to meet or exceed 100% of expenses	Revenues to meet or exceed 100% of expenses
• Equity to provide for uninterrupted operations	Parameters set	Equity available for one year of operating costs	Equity available for one year of operating costs
Goal 4 – To Serve the Public Interest and Ensure Competitive, Fair and Transparent Processes			
• Value for money (VfM) demonstrated.	Post-project VfM assessments provided for all projects	Post-project VfM assessments provided for all projects	Post-project VfM assessments provided for all projects
• Probity & Fairness Opinion	Probity & fairness opinion delivered for all projects	Probity & fairness opinion delivered for all projects	Probity & fairness opinion delivered for all projects
Goal 5 – To be Widely Recognized as a Centre of Excellence for Innovation, Leadership & Expertise in P3s			
• Demonstrated evidence of the development of a Centre of Excellence.	Annual examples of: - best practices established - external recognition - new market participants in BC - synergies and cost reductions in P3 processes - best practices adopted within and outside BC government	Annual examples	Annual examples

Linkages to Government Strategic Priorities

The Province has stated its intention to modernize government and to find more efficient and effective ways of providing services and infrastructure in support of health care, transportation, education and other priority programs.

P3s support this direction by delivering major capital projects that meet public needs at minimum life-cycle cost and with an optimum sharing of risks between the public and private sectors.

The government's strategic plan specifically calls for the establishment of "public-private partnerships or other alternative service delivery arrangements for capital infrastructure and program delivery." As described below, PBC also plays a broader role in meeting the government's primary goals, as described in its strategic plan for 2003/4 – 2005/6:

- Goal 1: A Strong and Vibrant Provincial Economy
- Goal 2: A Supportive Social Infrastructure
- Goal 3: Safe, Healthy Communities and a Sustainable Environment

Meeting Goal 1:

PBC supports economic growth in British Columbia by encouraging and facilitating private sector involvement in the delivery of critical public sector infrastructure and services. Additional support for economic growth in the province is derived from:

- The increased involvement of the private sector, which provides greater employment and economic benefit multipliers than the public sector.
- Attracting foreign capital and investment which complements or substitutes for provincial government capital spending.
- The transfer of appropriate risk to the private sector, benefiting the Province in managing future risk and liabilities.

Meeting provincial infrastructure needs in general is also essential to a strong provincial economy. For example, an up-to-date and well maintained transportation system helps keep goods, services and people moving smoothly and efficiently. Road improvements, such as the Sierra Yoyo Desan Road project, also support key initiatives such as the Province's Oil and Gas Development Strategy which is helping to revitalize the Heartlands economy.

Meeting Goal 2:

PBC is directly charged with assisting in the provision of high quality capital infrastructure. In other words, it helps the Province to secure needed investments in schools, hospitals and other facilities vital to maintaining a supportive social infrastructure.

Meeting Goal 3:

Safe, healthy communities depend on basic infrastructure such as reliable transportation systems, state-of-the-art hospitals and modern schools. PBC helps to deliver these assets and has a clear mandate to ensure that, in their development, the public interest is served. That extends to environmental impacts as well. In gauging the value of capital projects, PBC considers a full range of factors including community health and safety, and ensures that these values are protected.

Resource Summary

Summary Financial Outlook

PARTNERSHIPS BRITISH COLUMBIA
2003-04 Forecast and 3 Year Projections

	2003-04	2004-05	2005-06	2006-07
REVENUES				
Fees for Service	$4,308,800	$5,639,000	$4,870,817	$4,870,817
Provincial Government Contribution[1]	2,100,000	1,800,000	1,800,000	1,800,000
Project Recoveries	11,724,192	8,236,365	7,657,536	7,657,536
Other Revenue	97,369	173,987	154,365	157,041
TOTAL REVENUES	18,230,361	15,849,352	14,482,718	14,485,394
EXPENDITURES				
Salaries and Benefits	4,951,764	5,297,645	4,996,058	5,095,979
Human Resource Costs	90,843	53,800	39,376	40,164
Professional Services	10,733,900	7,221,512	6,776,587	6,705,648
Information Systems Costs	185,487	141,276	144,102	146,984
Administration	390,179	334,706	221,900	223,558
Travel	335,865	179,028	135,660	138,373
Building Occupancy	374,287	363,520	366,199	371,087
Communications/Marketing	92,975	125,000	125,000	125,000
Amortization	111,369	136,462	105,013	80,908
TOTAL EXPENDITURES	17,266,669	13,852,949	12,909,895	12,927,701
NET INCOME	**$963,692**	**$1,996,403**	**$1,572,823**	**$1,557,693**

[1] The Government of British Columbia provides PBC with an annual contribution. In exchange PBC provides a variety of services including: helping agencies identify and assess P3 opportunities; developing provincial P3 policy; developing best practices for P3s and alternative procurement; exploring opportunities in other jurisdictions to expand the application of best practices across Canada; and providing other advisory and consulting services directly to the province and/or clients on an ongoing basis whose costs are not attributable to a specific project.

Key Forecast Assumptions

In preparing its financial statements, PBC has based its calculations on the following assumptions:

- Revenue and expenditures, at this point, are estimates based on a forecast of project activity using the best available information available to PBC.
- Project expenditures will fluctuate significantly from year to year.
- The majority of expenditures will be reimbursable from third parties during the fiscal year they are incurred and will not materially affect the bottom line.

Risks and Sensitivities

Risks, in general, have been discussed within the Planning Context of this document; however, risks and sensitivities pertaining specifically to PBC's financial outlook are as follows:

- Interest rates – PBC does not forecast significant interest income and therefore the fluctuation of interest rates is not expected to have a significant impact on earnings. However, it may affect the ability of third parties to cover costs if they are primarily using debt financing.
- Performance of the economy – The overall performance of the British Columbian, Canadian and North American economies may have some impact on demand for construction and debt.
- Inflation – Inflation in some sectors may or may not impact PBC's work flow and project revenue.

Appendix 1 - Project Highlights

This section describes some of the key projects Partnerships BC is engaged in as of April 1, 2004.

Abbotsford Regional Hospital and Cancer Centre – The Abbotsford Hospital and Cancer Centre is planned as a state-of-the-art 300-bed replacement for the aging MSA Hospital in Abbotsford. The facility will offer several enhanced programs, including integrating a new cancer treatment centre that will be part of the provincial network operated by the BC Cancer Agency. The cancer centre will provide much-needed diagnosis and treatment services.

Partnerships BC's role in this project is as project manager, which includes overseeing all aspects of the project including planning and scheduling, procurement, contract management, project development and financial controls.

Academic Ambulatory Care Centre – The Academic Ambulatory Care Centre (AACC), to be built on the Vancouver General Hospital site, will coordinate outpatient care and services—including associated specialty clinics, along with medical education, physician practice offices, research and related commercial/retail activities—at one site.

Partnerships BC's role in this project is to assist throughout the procurement process.

Britanna Mine Water Treatment Plant – An acid-water treatment plant is planned at the former Britannia Mine site near Squamish, British Columbia. Once the largest copper mine producer in the British Commonwealth, the Britannia Mine has been a major source of acid mine water pollution in Howe Sound since its closure in the mid-1970's and is currently the largest sources of acid rock drainage to a marine environment in North America.

Partnerships BC's role is to develop the business transaction for a design, build, finance and operate contract for a water treatment plant at Britannia Mine, and to work with the Ministry of Sustainable Resource Management to manage the procurement process.

Fraser River Crossing – The new Fraser River Crossing will improve the movement of goods and people between the north and south sides of the Fraser River in the Greater Vancouver region. Expected open in 2007, the new crossing will reduce travel times across this part of the river by a minimum of 20 to 30 minutes for drivers in Greater Vancouver.

Partnerships BC's role in this project is to support Translink and the Fraser River Crossing project team in developing and implementing the business transaction and procurement phase.

Okanagan Lake Bridge – A new, five-lane bridge is planned to replace the existing floating bridge across Okanagan Lake in Kelowna. A private sector partner will design, finance, build and operate the new bridge under a contract for service with performance-based payments.

Partnerships BC's role is to advise the Ministry of Transportation on the business transaction and work with the project team on the procurement process.

Richmond-Airport-Vancouver (RAV) Rapid Transit Line - The RAV project is a proposed, 19.5-kilometre rail rapid transit line connecting central Richmond, the Vancouver International Airport and downtown Vancouver. It is estimated that, depending upon configuration, the line will cost CDN $1.5 to $1.7 billion. Under the proposed deal structure, the private sector partner would be responsible for design, financing, construction and operation of the rail rapid transit line. This project is sponsored and managed by Translink.

Partnerships BC's role has been to advise the Province with respect to its investment in the project.

Sea-to-Sky Highway – The Sea-to-Sky Highway links communities from West Vancouver to Whistler. Set in a spectacular mountain landscape, the highway presents complex engineering and construction challenges.

British Columbia's Ministry of Transportation is undertaking improvements to the highway between Horseshoe Bay and Whistler to improve its safety, reliability and capacity. By spring 2009, extensive highway improvements will make travel along the corridor safer for residents, commuters and tourists. This must be completed prior to the Olympics. Over the longer term, highway improvements will serve population growth, economic development in corridor communities and increasing demand for resident travel, visitor travel and goods movement.

Partnerships BC's role is to advise the Ministry of Transportation on the business transaction and work with the project team on the procurement process.

Sierra Yoyo Desan Road (SYD) – The SYD Road is a 188 kilometre multi-user resource road located northeast of Fort Nelson. The SYD Road is currently operating under a partnership, established in 1998, between industry and government, with companies paying for the use of the road. A major upgrade of the SYD Road is now required to facilitate all-season oil and gas activities as part of the Province's Oil and Gas Development Strategy.

Partnerships BC's role is to advise the Ministry of Energy & Mines on the business transaction and to work with the project team on the procurement process.

Knowledge Network – Knowledge Network has evolved over the last two decades from its original mandate to deliver television-led, formal educational courses and curriculum. With the growing trend among educators and students to use the Internet and online delivery for distance education, the role of Knowledge Network has shifted from direct educational delivery to providing life-long educational programming.

Partnerships BC is leading the process to locate a private or non-profit sector partner which will assume the role of the province's educational television broadcaster.

Future Opportunities – Completing these deals is a priority for Partnerships BC. At the same time, a number of other projects are under development in healthcare, transportation, universities and colleges, water and wastewater management.

Appendix 2 - Other Operating Segments

Partnerships BC incorporated the Abbotsford Hospital and Cancer Centre Inc. in 2003/04. Given the number of public sector agencies involved in the Abbotsford Hospital project, it was determined that it would be beneficial to create a single public sector entity to contract with the private sector.

Abbotsford Hospital and Cancer Centre Inc. did not engage in any transactions in 2003/04 as the Abbotsford Hospital procurement process had not been completed. PBC holds the shares of the company until the new facility is commissioned. At that point shares will be transferred to the Fraser Health Authority.

PBC may in future create subsidiary corporations in its normal course of business as part of structuring optimal arrangements between public sector clients and private investors.

Appendix 3 – Human Resource Strategy

In 2003/04, Partnerships BC developed an approach to human resources to ensure an optimal mix of public and private sector skill sets. Employees come from a range of backgrounds including extensive experience in the public service as well as in private sector banking, engineering and consulting. This range of skills sets helps PBC to meet its goal of establishing an internationally recognized centre of excellence in the public-private partnership sector.

Partnerships BC remains a lean and efficient organization with 25 FTE's. Staffing will be kept at approximately these levels, varying with project requirements and complemented with outside expertise engaged when necessary. This modern approach to staffing ensures that core knowledge gained from projects is harvested and retained by PBC, while specialized expertise and supplementary knowledge are available to clients as needed.

To complement its human resource strategy, PBC is implementing a rigorous corporate and personal performance objective system. Once fully operational, this system will tie shareholder and corporate objectives to the personal work plans of each and every employee.